

# New Roads

November 2007

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[www.cccera.org](http://www.cccera.org)

## New Way To Claim

### IRS Rules on New \$3,000 Retired Safety Officer Tax Exclusion

Recently we reported on a provision of the Pension Protection Act of 2006 (PPA06) that allows Public Safety Officers who retired at, or after "normal retirement age," or for disability, to exclude up to \$3,000.00 of their pension from *federal* income taxation, *if* the money was used to pay for health care premiums. This new pre-tax exclusion can be used for the first time in filing income taxes for year 2007.

The IRS had not determined *how* a retired safety member would file to claim the deduction. Now that ruling has been issued:

- 1099Rs from CCCERA will not indicate this deduction.
- **Retired Safety members will claim this deduction on their individual IRS 1040 tax forms when filing their returns.**

Health premiums paid through payroll deduction (a requirement of the provision is that payments must be made directly to the insurer) will be included in box 1 and box 2a of form 1099R, as part of gross distributions and taxable amounts. Safety retirees will claim the deduction on form 1040, most likely on line 16b, according to an IRS Senior Technical Advisor.

1099R forms will show the entire amount of taxable income for the year, without the \$3,000.00 excludible amount deducted. Bob Blum, writing in *The Journal, California's Public Retirement News Source*, suggests Safety retirees remind tax preparers about the exclusion, since some preparers may not be aware of this recent ruling.

## What Are OPEB's?

The news is full of them, both locally and nationally. But what are they?

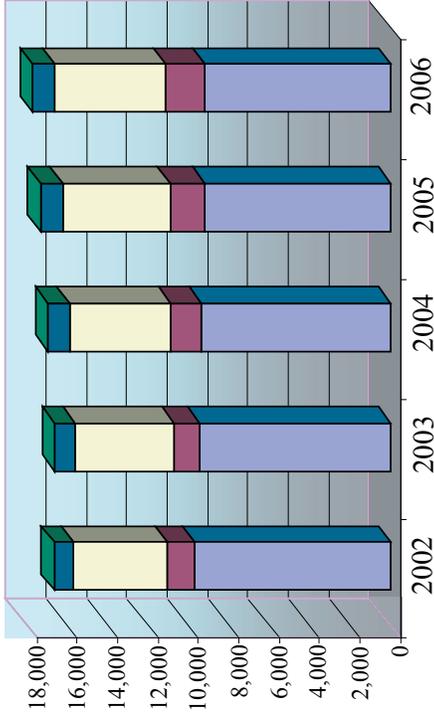
OPEB is an acronym for **Other Post Employment Benefits**. ("Other" means benefits *in addition* to your vested pension amount.) Generally these benefits have not been pre-funded by employer and employee contributions during our careers. The full cost is added to the UAAL (Unfunded Actuarial Accrued Liability). By law, employers are responsible for paying the UAAL; as the costs of OPEB benefits increase, so does the future debt incurred by the employers.

These costs have always existed, but recent changes to the law now require reporting this liability. Statewide, the Public Employee Post-Employment Benefits Commission is holding meetings to define OPEB issues and develop recommendations for possible solutions.



# ANNUAL REPORT

For the Year Ending December 31, 2006



## MEMBERSHIP

Year	Active	Deferred	Retired	Survivors/ Beneficiaries
2002	9700	1374	4616	1003
2003	9472	1255	4894	1042
2004	9358	1517	5049	1069
2005	9205	1731	5335	1102
2006	9210	1919	5528	1118

Board of Retirement

Clifton A. Wedington  
Board Chairperson

John Gioia

County Supervisor

Paul Katz

Maria Theresa Viramontes

Dave Gaynor\*

Appointed by Board of Supervisors

William J. Pollacek

Ex-Officio

County Treasurer

Richard Cabral Brian Hast  
Elected by General Members

Bob Rey Jim Remick\*

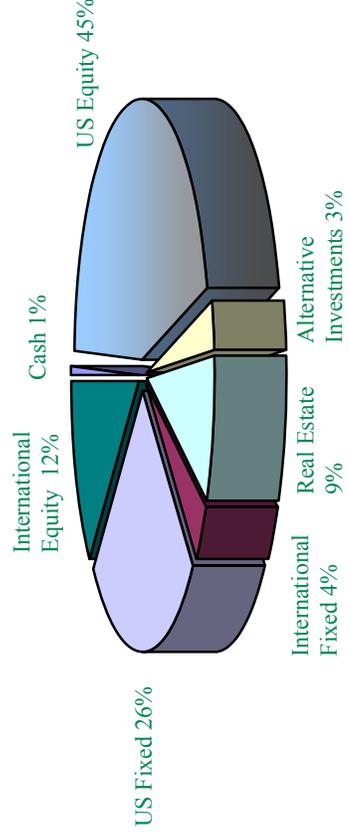
Elected by Safety Members

Jerry Telles Sharon Naramore\*

Elected by Retired Members

\* Alternates

ASSET ALLOCATION = \$4,900,078,030



Retirement Administration

Marilyn Leedom, CEBS  
Chief Executive Officer

Cary Hally, CFA

Chief Investment Officer

Rick Koehler, CPA, CGFM

Accounting Manager

Kathy J. Somsen

Benefits Manager

Tonj Warren

Administrative Manager

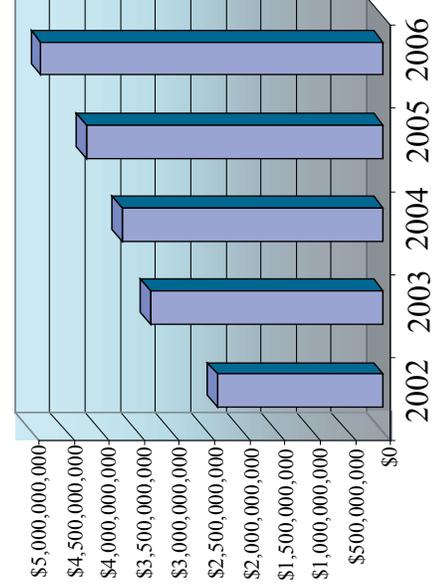


# HISTORICAL PERSPECTIVE 2002-2006

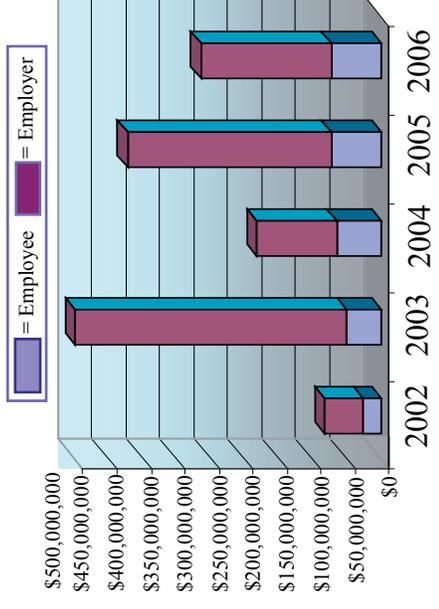
Year	Net Assets in Trust For Pension Benefits	Employer Contributions	Employee Contributions	Net Investment Income (Loss)*	Year	Benefits Paid	Refund of Contributions
2002	\$ 2,365,537,000	\$ 57,474,000	\$ 26,606,000	\$ (267,981,000)	2002	\$ 140,097,000	\$ 643,000
2003	3,313,495,000	108,728,000	51,603,000	608,575,000	2003	163,923,000	1,037,000
		<u>319,095,000</u>					
		<b>427,823,000</b>					
2004	3,718,616,000	<b>118,245,000</b>	65,297,000	416,013,000	2004	178,979,000	909,000
		147,165,000					
		<u>153,135,000</u>					
		<b>300,300,000</b>					
2005	4,221,722,000	179,755,000	73,475,000	342,383,000	2005	196,106,000	2,074,000
		<u>11,693,000</u>					
		<b>191,448,711</b>					
2006	4,871,010,000		73,469,000	615,570,000	2006	216,057,000	3,232,000

(POB=Pension Obligation Bonds)

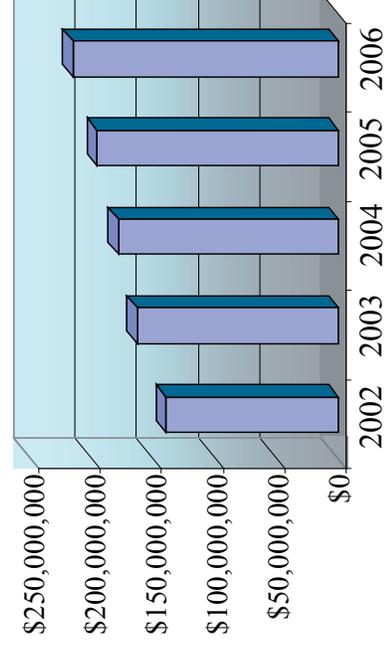
\* After Investment Expenses



NET ASSETS



CONTRIBUTIONS



BENEFITS PAID

# Are Your Income Tax Withholding Amounts Current?

You have an ongoing right to **modify, establish or discontinue federal and/or state tax withholding** from your monthly benefit payment. This choice can be made at any time by filing a new withholding certificate with the Retirement Office. (Changes you make before the 21st of each month are effective the following month). Stop by the office (see address below) or give us a call (925.646.5741) to obtain this form along with instructions for filing. *Additionally*, you can now print this withholding authorization form directly from our website; [www.cccera.org](http://www.cccera.org).

Keep in mind that you are not required to have federal tax withheld from your monthly payments.

However, if you choose to exempt yourself from withholding, you must pay any required taxes through other sources, or quarterly estimates and deposits. Be advised that you *may* incur penalties under the “estimated tax rules” if your withholding election and estimated tax payments are not enough to meet your tax liabilities.



## Concerning State Taxes:

Monthly payments made to CCCERA retirees **living in California are subject to California income tax**. CCCERA payments to retirees **living outside California are not subject to California income tax**, but benefits may be subject to other state taxes. Check with your tax specialist or state Department of Revenue for concise, up-to-date information on your specific tax status.

*If your current withholding arrangements are appropriate, they will remain in effect.  
No action is required.*

CCCERA office hours are  
8 a.m. - Noon, 12:30 p.m. - 5 p.m.,  
Monday through Friday; Counselors  
are available by phone  
9 a.m. - Noon, 12:30 p.m. - 4 p.m.  
After business hours,  
voicemail is available  
to take your messages  
24 hours a day at  
925.646.5741.

Employees' Retirement Association  
1355 Willow Way, Suite 221 Concord, CA 94520  
925.646.5741 fax: 925.646.5747



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